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CLICK HERE FOR THE CEO's (COST SAVINGS) REPORT DATED SEPTEMBER 23, 2008

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CHIEF EXECUTIVE OFFICE
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WILLIAM T FUJIOKA
Chief Executive Officer

March 26, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

REPORT ON COST SAVINGS OPTIONS TO ADDRESS THE PROJECTED DEFICIT IN THE DEPARTMENT OF HEALTH SERVICES 2008-09 BUDGET

On February 19, 2008, your Board approved a motion by Supervisor Knabe instructing this office to provide, by March 24, 2008, a comprehensive list of all cost savings options from which to choose to balance the Department of Health Services (DHS) 2008-09 Budget. This memorandum provides, as an interim response, a comprehensive list of the non-service-related cost savings options we have identified as of this date. A comprehensive list of all cost savings options, including potential service curtailments, will be provided as part of the next DHS Budget Committee of the Whole Report and Fiscal Outlook, scheduled for presentation to your Board on April 22, 2008.

Attachment I describes 65 non-service-related cost savings options, developed by the Department of Health Services and reviewed by our office, which will be included in the 2008-09 Proposed Budget. These proposals comprise the DHS Financial Stabilization Plan and will produce savings in current costs for pharmaceuticals, administration, staffing, nursing registry, information systems, and medical administration, and will increase revenues in a variety of areas. Total cost savings are estimated at approximately $80.0 million, consisting of $33.6 million in 2007-08 and $47.4 million in 2008-09.

Attachment II includes additional cost savings options which have been identified by the Department in discussions with other stakeholders, including staff in your offices. These additional options also identify potential efficiencies in administrative, management and clinical activities and propose efforts to increase revenue collection and generation.

As indicated above, our next report will include a comprehensive list of cost savings options, including potential service curtailments, which will be needed to address the projected DHS budget deficit beginning in 2008-09. This effort only deals with the first phase of the multi-faceted and multi-phased plan being developed to address the Department's structural deficit.

If you have questions or need additional information, please contact me or your staff may contact Sheila Shima, Deputy Chief Executive Officer, Health and Mental Health Services, at (213) 974-1160.

WTF:SRH:SAS
MLM:bjs

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Director and Chief Medical Officer, Department of Health Services
Director of Personnel

DHS Cost Savings Option_bm

Attachment I

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FINANCIAL STABILIZATION - DHS SYSTEMWIDE

FISCAL YEARS 2007-08 THROUGH 2009-10

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
1	Establish DHS Protocol for the use of Rheumatology Drugs. Identify preferred drugs and work with providers to encourage the use of these agents **LAC+USC AND OVMC ONLY**	Pharmaceuticals	Convene DHS expert panel to review the use of the high cost rheumatology drugs and develop guidelines for their appropriate use/indications. We believe other private hospitals prescribe these drugs per specific protocols. Panel convened and decisions made at P&T and approved. Facilities to implement.	0.375	0.750
2	Cardinal Drug Recovery Program. Increase use of patient assistance programs to defer the costs of high cost pharmaceuticals use the pharmaceutical companies established drug assistance programs **OVMC ONLY**	Pharmaceuticals	Completed - Board approved Cardinal contract on 12/18/07. Implementation in progress with OVMC.	0.500	0.750
3	Develop options regarding 340B for our non-hospital based clinics LAC+USC ONLY	Pharmaceuticals	DHS is reviewing options to limit the impact of the loss of 340B pricing at our non-hospital based clinics.	4.000	8.000
4	340B Contracting-purchasing initiatives for hospital sites	Pharmaceuticals	DHS Pharmacy Procurement reviewing 340B Optimization reports on a quarterly basis to maximize use of 340B drugs through the use of the 340b maximization reports.	1.600	2.000
5	Mandatory Generics - Maximize generic drug purchases	Pharmaceuticals	Maximize purchases placed for generic drugs, when generic equivalent is commercially available.	2.160	2.000
6	Identification of lost rebates/discounts for pharmaceuticals	Pharmaceuticals	DHS Procurement on an ongoing basis look to capture lost pharmaceutical rebates, credits and other opportunities that may be available to DHS.	1.500	1.000
7	Therapeutic interchange initiatives -Multiple initiatives approved by the DHS Core P&T Committee	Pharmaceuticals	DHS facilities will implement DHS Core P&T-approved therapeutic interchange initiatives	0.750	1.000
		Pharmaceuticals Total		**10.885**	**15.500**
8	No deposit to the ACO vehicle account (EMS).	Administrative costs	EMS has indicated they will not be buying any ambulances this fiscal year.	0.150	-
9	Contract Savings	Administrative costs	Ongoing identification of contract expenditure savings for the facility	-	0.079
10	Reduction in Physician contracts	Administrative costs	Reduce physician contract spending	-	0.390
11	ISD	Administrative costs	DHS Finance met with ISD in 10/22/07, including Jim Jones, Sheila Shima, and Patrick Anderson. ISD provided DHS with schedules breaking out the ISD charges into various categories. DHS Finance will be updating the format of the schedule by 11/2/07 for review by DHS facilities. DHS facilities will look for opportunities to reduce utilization of ISD services in areas that could produce savings in the DHS budget. DHS expects to receive the ISD billing data on a monthly basis.	-	0.015
12	Outsource vehicle maintenance costs	Administrative costs	Depts are now required to use ISD maintenance program, but in the past significant savings was achieved by using local auto repair shops through Purchase Orders.	-	-
13	Premises Sys Engineering (3440) cost can be reduced by creating positions in the facility budget to hire this staff in house.	Administrative costs	Required new items as an enabler: 3 - 2560 Sr. Network Systems Administrator positions, 1 - Information System Supervisor III position.	-	0.526
14	Power Plant Operations and Maintenance	Administrative costs	Reduce power plant expenses by handling maintenance through in house facilities staff	0.200	0.250
15	Reduce discretionary S & S spending	Administrative costs	Issue revised allocations for FY 07-08 to the responsible managers and submit budget reduction documents for FY 08-09.	2.466	3.409
16	Reduce Fiscal Programs spending	Administrative costs	Reduce CBRC, LAN, and fixed assets budgets.	0.220	0.220
17	Identify other potential cost savings	Administrative costs	Identify additional savings at various divisions within HSA.	6.086	1.382
18	Replacement Facility Move Transition and OMDI Cost	Administrative costs	Reevaluate the forecast for replacement facility activities in FY 2007-08.	5.797	-
19	OPS	Administrative costs	Review current staffing levels and locations in hospital where security guards are present, then prioritize those locations based on security needs and reduce staffing elsewhere accordingly. Present to CEO a review of staffing levels provided by Office of Public Safety for both armed and unarmed security personnel.	-	1.387
20	Review need for vehicles of all hospital vehicles with a determination of actual need for the facility and lobby for continued purchase of used ISD vehicles.	Administrative costs	Potential Savings in ISD for maintenance/repair and gas/oil expenditures by eliminating those vehicles that are not critical to the hospitals operations. Also, ISD recently stopped allowing other depts to purchase their 2-3 yr old vehicles at very minimal cost.	0.033	0.575
21	Curtail memberships of the advisory board co.	Administrative costs	Letter sent, canceling as of Jan 1, 2008. Savings for FY07-08 is estimated 6 mos.	0.085	0.170
22	Revise on line requisition OLR approval for Office Furniture to provide CEO final review/approval for all purchases	Administrative costs	*RLA:* OLR has been adjusted to route (based on commodity code) Office Furniture items to CEO for final review/approval.	0.100	0.100
23	Hire a Chain Supply Director for Group Purchasing Organization	Administrative costs	Hire a Chain Supply Director to evaluate $1 billion S&S spending activities and identify & implement savings initiatives.	(0.100)	-
25	Warehouse Inventory One-Time Reduction to 3 Weeks Supply	Administrative costs	Implement new policy to maintain 3 weeks inventory supply in the Warehouse. The one-time savings that can be achieved is $100,000.	0.200	-
26	Reduce OAC's S&S budget	Administrative costs	Plan reduced FY 07-08 expenditures.	1.300	1.300
		Administrative costs Total		**16.537**	**9.803**
27	Administrative Day Unit	Staffing	Revise staffing for an Administrative Day unit. Requires budget adjustment to reduce RN Items and add LVN and NA items in their place.	-	0.653
28	Hiring Delays - Additional Savings	Staffing	As a result of the DHS hiring freeze, the Executive Leadership Team is reviewing each hiring request to ensure the need is critical. The estimated savings reflect the assumed loss of an additional 10 employee per month for December through June.	1.000	-
29	Control paid overtime	Staffing	Implement additional paid overtime controls. The additional savings are estimated at 5% for January through June.	0.641	-
30	Replacement Facility Paid Overtime	Staffing	Monitor the use of paid overtime for replacement facility training activities.	1.000	-

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FINANCIAL STABILIZATION - DHS SYSTEMWIDE

FISCAL YEARS 2007-08 THROUGH 2009-10

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
31	Increase County HIM staffing in an effort to reduce contract registry costs in HIM and mitigate revenue losses (write-offs).	Staffing	***Harbor*** spends $1.2 million annually on registry HIM coders. Coders directly impact our ability perform third party billing. Registry costs could be reduced if additional HIM items are allocated and County staff are hired in lieu of registry. It would be helpful to allow HIM to hire some staff as unlike placements. Harbor has a HIM coding backlog that is impacting revenue generation. More account write-offs will result if coding cannot occur timely within the billing statue. Approx. 8 new coder items are needed and 4 registry items will remain. Study feasibility of using 3rd party vendor (Accordis) vs. hiring County employees. ***LAC+USC*** Network spent $5.3 million on registry staff to perform abstracting, cancer registry and coding services in HIM throughout the network. Registry staff directly impact revenue generation, accreditation and regulatory compliance. Registry costs could be reduced (savings from current spending) if additional HIM items are allocated and County staff are hired in lieu of registry.	0.286	0.730
32	Reduce Full-Time Permanent Staffing Cost by Implementing New Part-Time, Hourly As Needed Item Classification in non-Nursing Depts.	Staffing	Same as above. Expand use of part-time classifications for Radiology Techs, Medical Techs, Pharmacy Techs, Pharmacists, Respiratory Care Practitioners, Nurse Anesthetists, Occupational Therapy, Physical Therapy, Medical Records Coders, etc. Reliance on registries is heavy in these item classifications. The ability to flex staff according to workload is critical in operating an efficient organization. However, the County may not be open to create part-time positions without benefits.	-	0.350
33	Reduce Neonatal and Adult registry staffing in the Respiratory Therapy Dept.	Staffing	Reduce utilization of contract registry services by hiring four County personnel to fill the reclassed Resp. Therapy items allocated in the FY 07-08 Suppl. Budget. Reclass is completed and exams have been called.	0.100	0.400
34	Reduce paid overtime expenditures.	Staffing	Reduce paid overtime expenditures by 5% Hospital-Wide. Note: The 5% can be achieved from the base, but it needs to be recognized that Harbor is staffing the add'l 20 beds with overtime and registry use until the positions in the 20 bed package can be filled.	0.310	0.881
		Staffing Total		**0.337**	**3.014**
35	Recognize BCEDP revenue in excess of budget	Revenue	The current facility forecast for BCEDP revenue exceeds the Final Budget. This is to recognize this surplus in the Financial Stabilization Plan. THE ESTIMATED REVENUE SURPLUS FOR FY 2007-08 IS ALREADY REPORTED IN THE FACILITY FORECAST.	-	0.500
36	Recognize Insurance revenue in excess of budget	Revenue	The current facility forecast for Insurance revenue exceeds the Final Budget. This is to recognize this surplus in the Financial Stabilization Plan. THE ESTIMATED REVENUE SURPLUS FOR FY 2007-08 IS ALREADY REPORTED IN THE FACILITY FORECAST.	-	2.000
37	Improve/increase Medicare reimbursement on Indirect Medical Education (IME) revenues by reducing the available bed through a temporary reduction in licensed beds.	Revenue	Consider the temporary suspension of licensed beds to increase IME reimbursement. Current formula is I&R FTE/Available Beds. This percentage is applied to Medicare DRG payments to provide for additional supplemental payments for teaching hospitals.	-	0.785
38	Itemize Physician billings	Revenue	State DHCS has agreed to allow inpatient Medi-Cal physician billing. We are working to set-up a pilot project at H/UCLA and RLA. At LAC+USC and OV we have to set-up the necessary infrastructure. Additionally we are reviewing the possibility of LAC+USC and OV itemize billing for Medicare patients.	-	1.000
39	Patient Payment Plan	Revenue	Self-pay patients who maintain a payment plan thru hospital Affinity PA System.	0.104	0.104
40	Fire Dept - Bioterrorism , Paramedics, and Search & Rescue (OV/UCLA only)	Revenue	The fire dept has a bioterrorism grant and buys supplies from OVMC. The fire dept is willing to pay OVMC for the staff time involved in provided the supplies and for other incidental expenses.	0.090	0.090
41	Reduce Denied Days by implementing Emergency Room Case Mgmt. Program	Revenue	Implement UM Case Mgmt Program to review ER Admission requests and divert inappropriate admissions. Coordinate scheduling of ancillary tests with depts., expedite ER transfers to RLA, actively address placement issues. Also screen outpatient clinic admissions and divert inappropriate admissions. Harbor is at full capacity and this will allow us to more appropriately utilize resources and avoid ER closure to transfer patients.	-	0.250
42	Reduce Denied Days in all Hospital Depts. by 5%	Revenue	Provide additional educational programs aimed at physician documentation to maximize reimbursement. Produce dept. specific and potentially physician specific trending reports. Discuss progress in Quarterly Shared Mgmt. (Budget) meetings with each dept.	0.100	0.691
43	Reduce Medi-Cal audit adjustments for psychiatric services by Improving documentation in medical charts to show that patient's condition justify hospital stay and acute services.	Revenue	State auditors select a sample period and review psychiatric services provided to Medi-Cal inpatients at the hospitals to determine if the services are appropriate. We have found that the hospitals have high disallowances as the medical charts do not provide the description necessary to satisfy the medical necessity audits.	0.053	0.122
44	Improve Medicare outpatient reimbursement from the OPPS program by improving chart documentation showing all services provided to the patient during the visit.	Revenue	Compare typical Medicare reimbursement for like services provided at other private or public institutions. Determine where improvements can be made. Review Medicare billing practices to determine if additional ancillary services can be identified for billing such as injectibles, social services, etc.	0.438	0.677
		Revenue Total		**0.785**	**6.219**

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FINANCIAL STABILIZATION - DHS SYSTEMWIDE

FISCAL YEARS 2007-08 THROUGH 2009-10

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
45	Nurse Recruitment to Fill County Positions and Reduce Overtime. Reduce Nursing Full-Time Permanent Staffing Costs by Implementing New Part-Time, Hourly "F" Item Classifications.	Nursing Registry	Establish a DHS-Wide Nurse Recruitment Program as an on-going effort. Filling nurse permanent vacancies with County paid employees is more cost-effective than paying overtime or utilizing registries. Harbor's proposal to create part-time item classifications was supported by DHS in 1995. The plan may be with CEO Class Comp. If this is established as a priority, it is feasible for DHS to work with CEO Class Comp over the next 8 months to create these temporary item classifications. Currently, full-time permanent "A" items and overtime are used to staff LVN and Nursing Attendant items on weekends and to address employee call offs, census fluctuations, etc. In the private sector, part-time people are sent home if the workload does not justify the expense. Harbor does not have the ability to flex staffing with workload due to the lack of temporary employee classifications and use of overtime to accomplish this is expensive. Some facilities may also utilize registry employees to flex staffing, which is also expensive.	-	2.000
46	Reduce Nursing Registry personnel costs	Nursing Registry	Harbor only utilizes seven nursing registry personnel in the ER and ICU areas. Registry staffing can be reduced by one position. Significant potential exists DHS-Wide to reduce registry costs i.e., nursing attendants obtained through registries, etc.	0.700	0.900
47	Convert registries nursing sitters to County employees to meet JCAHO standards	Nursing Registry	Nursing Attendant Sitters are needed to provide 1:1 constant observation to all patients placed in behavioral restraints in all patient units to meet JCAHO standards. Also, for patients who are on legal holds for danger to self and others that require "one to one" observation as medically prescribed by their physicians. Sitters also provide constant monitoring to patients identified as all risk. The JCAHO national patient safety goal requires that the organization implements a fall reduction program to reduce the risk of patient harm resulting from falls. OV Medical Center is currently using registry Nursing Attendant sitters to meet the demand. The cost for 33.0 nurse attendant positions will be offset with reduced registry costs and result in additional savings.	-	0.963
		Nursing Registry Total		**0.700**	**3.863**
48	Prioritize IT Projects	Information System	We are updating the IT road map. With this road map, we will then be able to line up all of the major IT projects and recommend a priority proposal to IT Governance for review in December. We expect to have to do some research and have one or two subsequent meetings with IT Governance to deliver a new prioritized plan with budget reduction considerations.	-	6.500
49	Terminate the McKesson Express V Hospital Financial Control Agreement	Information System	The McKesson (HBOC) contract is scheduled to expire on 6/30/08. The McKesson Patient Accounting System will be replaced by the Quadramed Patient Accounting System. Note: FY 08-09 & FY 09-10 can only be realized if all DHS sites have migrated off the McKessson System by June 30, 2008. For every month the McKesson System is in production use after June 30, 2008, DHS will incur approximately $200K in fees.	-	0.221
50	Reduce Quadramed Contract Maintenance, Pool Dollar & Out-of-Pocket Expenses (component of 27)	Information System	Postpone implementation of Quadramed Patient Acctg. Contract Mgmt. and the Ambulatory Abstract modules, indefinitely, and save on budgeted maintenance costs ($27,500), reduce pool dollars for Quantim EDM project ($16,200) and Out-of-Pocket expenses ($15,000).	-	0.154
51	Reduce Quadramed Contract Software License Costs (component of 27)	Information System	Postpone implementation of Quadramed Patient Acctg. Contract Mgmt. and the Ambulatory Abstract modules, indefinitely, and save one one-time cost of software license.	0.555	0.149
		Information System Total		**0.555**	**7.024**
52	Reduction in X-Ray film	Medical Administration	Reduction in purchase of X-Ray film due to PACS implementation	-	0.025
53	Switch to Quest Labs from Focus for testing for Hepatitis B Virus DNA Qunt, PCR & Hepatitis C Viral RA, Qual, PCRc Cardiolipin Screen w/reflex to IGA, IGM, IGG.	Medical Administration	Implementation steps & required investments: ELIS Database creation of new testcodes/LIS Build in Affinity. Estimated Annual cost saving = $ 112,806.12 Estimated cost of required Investments = Staff Time Investment = One Time. Impact on Service/Quality = No change.	0.056	0.113
54	Change instrument platform for Rheumatoid Factor, C3, C4, and Prealbumin from the Image to the Roche chemistry analyzers.	Medical Administration	Implementation steps & required investments: Validate assays on Roche instrument. Estimated Annual cost saving = $ 3,600.00 Estimated cost of required Investments = Staff Time. Investment = One Time. Impact on Service/Quality = Prealbumin will be available 24/7 for patient care which will be an improvement in service. Moving these tests will also allow other low volume long TAT tests to be batched for improved efficiency.	0.002	0.004
55	Discontinue performing CKMB assay.	Medical Administration	Implementation steps & required investments: Get buy-in from the major stakeholders. Estimated Annual cost saving = $ 31,700.00 Impact on Service/Quality =No negative impact on service or quality since Troponin test is the recommended cardiac marker.	0.016	0.032
56	Resume blood drive programs at H/UCLA (the only DHS facility that can benefit due to their operation of a Blood Bank).	Medical Administration	Harbor's cost of blood purchased exceeded the budget by $600,000 in FY 06-07. This cost can be reduced significant if we resume the Blood Drives. The Blood Drives will be conducted once the RN item in the 20 bed package is filled. The RN needed for Blood Bank requires specialized training. Propose to conduct 2 major blood drives (1 mo. duration) and 2 minor blood drives (2 week duration) annually to reduce blood costs.	0.100	-
57	Expand in house biomed maintenance	Medical Administration	Continue expansion of in house biomed maintenance to eliminate biomed maintenance contracts.	-	0.082

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FINANCIAL STABILIZATION - DHS SYSTEMWIDE

FISCAL YEARS 2007-08 THROUGH 2009-10

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
58	Resume DHS-Wide Shared Lab Program and reduce reliance on outside reference labs	Medical Administration	The DHS Laboratory Executive Committee (Laboratory Directors and Laboratory Managers from each facility) is scheduled to meet on January 15, 2008 to discuss restructuring the DHS Shared Laboratory Program. Consideration will be given to staffing, equipment and information system (electronic result reporting) availability. Additionally, the Committee will begin to identify potential contracted laboratory tests to be done in-house. Harbor's reliance on outside reference labs continues to increase and this is an inefficient way to do business. Specimens for non-esoteric test are sent out because we don't have the equipment; however, the trend is that more are sent out due to staffing shortages (hard-to-recruit positions; pending Med Tech lab reclass, need Med Tech hourly item classification, etc.). Need to evaluate DHS-Wide what tests each facility has excess capacity to provide and what test are currently purchased from reference labs. Aother option would be to renegotiate the reference lab contracts i.e., renegotiate rates paid or encourage the reference labs to bill Medi-Cal directly.	-	0.050
59	Reduce CHP Out-of-Plan Expenditure through proactive efforts to contact patients.	Medical Administration	Review CHP patients with more than 2-3 ER visits (non-Harbor primary care site) and contact these patients to schedule their follow-up appointments at Harbor. A mechanism needs to be put into place to provide CHP patients some priority appointments so they do not present to other sites.	-	0.250
60	GPO Standardization	Medical Administration	Implement DHS product standardization initiatives and convert non-agreement to agreement items.	0.200	0.250
61	Standardize Operating Room products and equipment and review Surgery Procedure Pack Product content.	Medical Administration	Establish a group of nurses, physicians and materials mgmt. staff to work on the standardization of operating room products and supplies that are ordered. This is used in the private sector and can produce significant savings. Focus on high-cost items, including ortho supplies. Move towards a Just-In-Time ordering system. Include a review of the products contained in the surgical packs. Eliminate products or substitute items with comparable products obtain through Novation (PHS pricing). Dr. Splawn will establish an oversight committee.	0.100	0.575
62	Review the feasibility of transferring/loaning other DHS facilities equipment that is currently not in use at MLK. Reduce Neonatal Ventilatory rental costs and SPORT bed rental costs.	Medical Administration	MLK has surplus equipment from the conversion of the hospital to a MACC. H/UCLA would like to transfer or borrow 3 ventilators from MLK that are not in use. Also, Rancho need additional beds in a temporary basis and savings could be achieved by transferring or loaning extra beds from MLK.	0.012	-
63	Establish an enterprise-wide Medical Test Formulary Committee to provide utilization guidelines to clinicians and to the Dept. of Pathology at the various facilities.	Medical Administration	The DHS Laboratory Information Steering Committee (Laboratory CIOs from each facility) developed a standardized enterprise workload report. Based on this workload report, the DHS Laboratory Steering Committee (appointed by the DHS Clinical Operations Committee) identified the top 90% of ordered tests. This 90% test list was submitted to the DHS Laboratory Executive Committee for review and discussion with their facility's medical staff. The responses to this evaluation are due December 21, 2007. The results of the study and the next steps will be discussed at the January 15, 2008 Laboratory Executive Committee meeting. The objective is to develop a "Test Formulary" to be managed and operated similarly to the existing DHS P&T Committee. The Laboratories endeavor to serve the clinicians by providing all tests requested to diagnose disease. This, however, opens the door for the use of any test at the discretion of the clinicians. Explore the possibility of establishing an enterprise-wide committee that would provide guidelines for the use of medical tests.	-	0.025
64	Standardize Interventional Radiology Supplies	Medical Administration	Establish a group consisting of radiology and materials mgmt. staff to work on the standardization of radiology interventional supplies. Focus on high-cost items and move towards a Just-In-Time ordering system. Establishment of a JIT system will further result in a decreased incidence rate for expired supplies.	-	0.050
65	Reduction in Radiology Film Costs	Medical Administration	The implementation of the Radiology PACS system on 1/1/08 will result in a reduction of film supply costs by 50% annually. The reduction of weekend overtime worked associated with PACS is already accounted for in the Harbor overtime reduction proposal above.	0.285	0.320
66	Reduce Medquist Transcription Contract Costs	Medical Administration	Harbor currently spends $1 million on medical transcription services in HIM, Radiology and Pathology. Savings can be achieved by negotiating new contract terms that provides the voice recognition option, which is more efficient. If priority is placed on this existing DHS project, it is fully possible to renegotiate the contract by 6/30/08.	-	0.150
		Medical Administration Total		**0.771**	**1.925**
		Grand Total		**33.570**	**47.348**

Category		
Pharmaceuticals Total	10.885	15.500
Administrative costs Total	16.537	9.803
Staffing Total	3.337	3.014
Revenue Total	0.785	6.219
Nursing Registry Total	0.700	3.863
Information System Total	0.555	7.024
Medical Administration Total	0.771	1.925
Grand Total	33.570	47.348

LOS ANGELES COUNTY DEPARTMENT OF HEALTH SERVICES

ADDITIONAL COST SAVING OPTIONS

	Cost Saving Option	Status as of 3/25/08
1	Administration/Management – Identify cost saving options in this area, including previous efforts and provide status.	As part of the DHS financial stabilization plan, DHS has identified $16.5 million in administrative cost savings in FY 2007-08 and $9.8 million in FY 2008-09. A description of these savings is included in the financial stabilization plan. The CEO will monitor implementation of the financial stabilization plan and associated cost savings.
2	Perform energy audits at all facilities to identify energy saving measures.	DHS is an active member of the Countywide Energy and Environmental Committee. The Committee formulated the Energy and Environmental Policy which was approved by the Board on December 19, 2006. The Policy establishes a goal of reducing energy consumption in County facilities by 20% by the year 2015. Recommended initiatives include the enhancement of employee education and awareness, implementation of conservation monitoring practices and implementation of energy and water efficiency projects in existing County buildings. A summary of planned/current DHS energy saving measures is attached (Attachment I). To identify additional energy saving measures, DHS has requested an estimate from ISD on the cost to hire a consultant to perform energy audits on DHS facilities. An official estimate has not been completed but per ISD, Energy Management Division, the cost to conduct energy audits is approximately $0.20 per square foot. DHS occupied space is approximately 6.1 million square feet. The total cost for an energy audit Department wide could be approximately $1.2 million.
3	Maximize collection efforts from insurance providers to expand reimbursement efforts.	To maximize insurance collections, DHS and its contracted safety-net contingency fee vendors make every effort to bill and collect from the various insurance entities. These efforts consist of DHS efforts and those of DHS contracted vendors, some of which assist with primary billing efforts and some which provide specialized and safety net services. These efforts resulted in $78.2 million in revenue for FY 2006-07. Current efforts include: financial screening of patients and billing commercial insurance, government plans including Medi-Cal, worker's compensation insurance, etc.; Fast Track Admissions and Visit Policy (Board approved on December 7, 1999, the Policy allows DHS facilities to negotiate patient-specific payment rates for inpatient services and enter into single instance, pre admission agreements with individual or private payors to admit and treat their patients at all County hospitals. On August 13, 2002, the Board approved a revision to the Fast Track Policy to enter into similar contractual relationships for the provision of outpatient services based upon a per visit and/or a percent of charges basis); Patient Account Compromise Authority (Board approved ordinance on January 8, 2002, granting the Director authority to reduce patient

		account liabilities when it is in the best interest of the County to do so); Delegated Insurance Contracting Authority (Board approved delegated authority on October 16, 2007, for the Director to negotiate and execute agreements with health plans that provide commercial insurance coverage, as long as the negotiated contracts rates cover DHS cost for providing the contacted services. DHS executed an agreement with LA Care for services provided at RLANRC on November 30, 2007).
4	Self pay patients pay approximately $22 million; improve collection efforts by engaging patients in negotiations at possible reduced rates.	To ensure that self-pay collections are maximized, DHS and its contracted safety-net contingency fee vendors make every effort to bill and collect self-pay due amounts. Self-pay includes Pre-Payment and Child Delivery Plan amounts, Ability-to-Pay (ATP) and Outpatient Reduced-Cost Simplified Application (ORSA) liabilities, co-insurance and deductible amounts, cash and carry pharmacy, self-pay payments and any other patient responsible amounts, i.e., Out-of-County/Country (OOC), OOC-Discount Payment Plan, etc. DHS financially screens all patients. If the patient chooses not to apply for the various health care programs that may be available to them or does not qualify they will receive a self-pay amount due. Patients are mailed three bills from DHS for self-pay amounts due. If DHS efforts fail, the Department has contracts with vendors to provide patient account collection letter services. If these efforts fail, DHS has a contract with an outside collection agency for further collection efforts. Once these efforts are exhausted, the accounts are referred to the Treasurer Tax Collector. At any time during the collection process self-pay patients may request assistance for various health care programs or request to compromise on their outstanding account balance utilizing the Patient Account Compromise Authority described in #3 above. Patients may also use the Fast Track Policy (also described in #3 above) to negotiate a specific payment rate for inpatient and/or outpatient services. The majority of DHS' patient family income is lower than 133% of the Federal Poverty Level.
5	Explore option of bringing new, paying customers/patients into the system.	The DHS Office of Managed Care (OMC) has budget approval for a plan to create a contracting unit for third party contracts and will be developing a contracting strategy for each DHS facility with an initial focus on burn services and certain subspecialty services including pediatrics. OMC will also renegotiate the existing Health Net agreements on behalf of DHS hospitals and outpatient facilities. LAC+USC Medical Center is currently renewing their contract with Kaiser for burn services. Rancho Los Amigos is developing a contracting plan for rehabilitation services. Plan development is funded through a LA Care grant pending final approval.
6	Analyze workload numbers, have patient visits gone down, while costs have risen; and what cost containment efforts have been implemented.	Inpatient admissions, emergency department visits, and outpatient visits have generally remained level for the last five fiscal years (FY 2003-04 to estimated FY 2007-08), not including service changes in the Southwest Cluster, some of which were associated with the downsizing and closure of MLK-Harbor Hospital (Attachment II). Information on costs and cost containment efforts will be provided in a future status report.

7	Provide 3 year snapshot of vacant positions; how are current registry services utilized to fill these items. Conduct study to determine if County should engage in long-term effort to bring services in-house and reduce reliance on registry nurses.	Registry nurses are used to supplement staffing in response to increased patient volume and unfilled DHS nursing positions. DHS has undertaken an aggressive effort to reduce reliance on nursing registries and increase the number of DHS nurses. From FY 2005-06 to FY 2006-07, DHS nursing registry expenses decreased from approximately $106 million to $86 million. Estimated nursing registry expenses for FY 2007-08 are $46 million. Enhanced nurse recruitment and retention efforts include establishing a competitive salary structure, an Employee Referral Award Program, tuition reimbursement, a Relocation Incentive Program, and tutoring and mentoring programs at local colleges with nursing programs. DHS is completing a three year review of vacant positions and will provide the information in a future status report.
8	Pharmacy Services – assess cost savings by implementing mail order prescription fill-refill services similar to pilot in the Antelope Valley area. Determine if similar model, whereby patient medications, particularly those for treating chronic illnesses, can be filled through the mail, can be expanded to other County areas.	High Desert MACC has been selected as the initial site for the mail order pharmacy pilot. The contract and statement of work are currently under review by DHS Information Systems, with the expectation that the contract will go to the Board for approval in April 2008. The mail order pilot will involve the replacement of the High Desert pharmacy information system with the contract vendor's system, in order to facilitate the transmission of prescription information electronically to the offsite vendor for processing. It is anticipated that sufficient data will be available for an initial analysis approximately one year after Board approval. County Counsel and DHS are in the process of submitting an Alternative Methods Demonstration Project (AMDP) to HRSA in order to allow the mail order service to expand to high volume DHS hospital outpatient sites. Due to the fact that these hospitals purchase medication from the Federal 340B program, an AMDP, approved by HRSA, is required to expand mail order services to these sites. It is anticipated that DHS will receive a response from HRSA to the AMDP in approximately 12 months. A DHS evaluation of these efforts will include analysis of patient access, quality of care, and cost-effectiveness. If found successful, an implementation schedule will be established for other DHS sites.

9	Is there service creep at LAC+USC; County needs to be mindful.	Inpatient admissions, emergency department visits, psychiatric emergency room visits, and outpatient visits have generally remained level at LAC+USC Medical Center for the past five years (FY 2003-04 to estimated FY 2007-08) (Attachment II). A decrease in outpatient visits at Northeast Cluster Comprehensive Health Centers (CHC) and Health Centers (HC) was offset by an increase in outpatient visits at the hospital. Over the last three years, LAC+USC has engaged in a re-design of inpatient, outpatient, and emergency department services. The average inpatient occupancy has decreased from more than 700 to less than 600 through changes in inpatient services to reduce the length of stay while maintaining the same number of admissions. With the opening of the new hospital several services that are currently provided by contract will be brought in-house. These include MRI, lithotripsy, and radiation therapy. Emergency department services will also expand as the new hospital will have an increased number of treatment bays (145 treatment bays). However, the department is working with LAC+USC on a zero-base budget which would avoid any cost increase.
10	Avoid duplicate testing to keep costs down.	DHS currently does not have the IT infrastructure to collect information on the number of duplicate laboratory tests performed. Current systems do not capture this information. HCs and CHCs generally perform basic laboratory tests that are designed to provide results while the patient is still in the clinic. More complex laboratory testing is performed at the hospitals. Although DHS does not have electronic linkage of laboratory information across all facilities there is electronic linkage within DHS Clusters. Clinical staff at the medical center, CHCs, and HCs within a Cluster may identify and utilize results from previous testing, regardless of the ordering site, thus reducing the opportunity for duplicate orders. To minimize duplicate testing, if two specimens are received within one hour of each other, from the same patient, requesting the same test(s), the second test is canceled. The long-term DHS strategy for managing laboratory test information and eliminating duplicate testing is the implementation of the DHS Master Patient Index Project and the electronic health record. This project will assign a unique patient identifier that is connected to the electronic data of the patient, including laboratory testing. DHS has submitted a plan and a funding request from the CEO IT Fund to implement this solution which will be used by DHS, DCFS, and DMH.

DEPARTMENT OF HEALTH SERVICES
ENERGY SAVINGS MEASURES MATRIX
March 14, 2008

HEALTH SERVICES ADMINISTRATION BUILDING

1. Installed an energy savings lighting controlled system for the entire building. Lights will be off Monday to Friday from 8:00 p.m. to 4:30 a.m. the next morning. On Friday the lights will turn off at 8:00 p.m. until Monday at 4:30 a.m.
2. Installed automatic lights off control in all individual offices. Lights will automatically turn off after 15 minutes of inactivity.
3. Installed energy efficiency VFD units.
4. Installed energy efficiency chillers.
5. Installed two energy efficiency boilers (two more needed – will be purchased next FY).
6. In the process of commissioning a new Building Automation System which will control the operation of the HV/AC to turn on and off during regular business hours and to monitor the exterior vs. the interior temperature.

RANCHO LOS AMIGOS

1. Constructing new hospital kitchen with energy efficient equipment. Completion date September 2008.
2. Purchasing energy efficiency VFD (Variable Frequency Drive) units and upgrading motors to energy star rating for the boilers in the Central Plant and Air Handler units in the 100 building.
3. Retrofitting light from T12 to T8 type which is more energy efficient.
4. Replaced JPI corridor lights from halogen to compact fluorescent type.
5. Installed additional irrigation control in the sprinkler system, to prevent over watering.
6. Shutting off the power supply to the unoccupied buildings on the South Campus.
7. Adjusted the operating hours of the Medical Library to minimize the use of overhead lights.
8. Adjusted thermostat in all climate controlled buildings to the recommended temperatures.
9. Reduced the overhead lighting in work areas, patient rooms, and therapy gyms as much as possible without creating unsafe conditions or interfering with the performance of duties.
10. Energy Savings tips are displayed on the intranet as opening screen on computers during start up to promote employees awareness and education.

LAC+USC MC

1. Installing time clocks where possible on BARD A/C units on outlying buildings and trailers to secure system during unoccupied hours.
2. Retrofitted 200 watts incandescent lights with high output low energy fluorescent lights in main Auditorium
3. Retrofitted existing T12 to more energy efficient T8 fluorescent lighting.
4. Replaced HV/AC system on Pediatrics building with energy efficient VFD controlled system.
5. Constant monitoring of building automation systems to maximize efficiency.
6. Re-insulated several piping systems to minimize lost of BTU's throughout the Campus.
7. Due to the imminent relocation to the Replacement Facility, all major energy savings retrofits and upgrades are on-hold. Replacement Facility has been built to meet new energy efficient standards.

HARBOR/UCLA MC

1. Exploring the cost and savings potential of a lighting retrofit throughout the Campus. Replacing existing fluorescent light fixtures (standard T8/electronic ballast system) to T8 lamps energy efficient electronic ballasts.
2. Exploring replacing the existing package A/C units used on the smaller buildings on Campus with units with higher energy efficiency ratios.

MLK MC & Ambulatory Care Center

1. Replaced parking lot lights with 250w flood fixtures.
2. Installed 38 VFD for all fan motors.

OLIVE VIEW/UCLA MC

1. Exploring the possibility of the Gas Company doing an energy audit of the facility.

HIGH DESERT HEALTH SYSTEM

1. Due to the pending relocation from the main HDSH Campus into a new building, all energy savings retrofits and upgrades have been on-hold.

DEPARTMENT OF HEALTH SERVICES
WORKLOAD STATISTICS
FISCAL YEARS 2003-04 THROUGH 2007-08

	Actual 2003-04 (1)	Actual 2004-05 (1)	Actual 2005-06 (1)	Actual 2006-07 (1) (2)	FYE 2007-08 (3) (4)
Admissions					
LAC+USC	37,922	36,834	36,643	37,515	38,674
H/UCLA	21,591	20,798	21,208	21,649	21,646
MLK	11,310	10,460	11,114	6,148	487
RLANRC	2,357	2,332	2,228	2,232	2,534
OV/UCLA	12,309	12,781	13,181	13,630	14,503
HDHS	--	--	--	--	--
Total Admissions	85,489	83,205	84,374	81,174	77,844
Discharges					
LAC+USC	39,673	38,971	38,187	39,070	40,224
H/UCLA	22,473	21,836	22,252	22,750	22,778
MLK	11,328	10,477	11,115	6,287	526
RLANRC	2,388	2,342	2,231	2,239	2,486
OV/UCLA	13,209	13,662	14,197	14,700	15,792
HDHS	--	--	--	--	--
Total Discharges	89,071	87,288	87,982	85,046	81,806
Patient Days					
LAC+USC	259,128	247,835	236,520	229,220	221,796
H/UCLA	121,512	119,720	124,100	129,210	133,590
MLK	74,664	64,970	63,510	37,595	1,830
RLANRC	55,632	52,560	49,640	49,640	63,584
OV/UCLA	62,952	64,605	71,175	70,810	71,736
HDHS	366	--	--	--	--
Total Patient Days	574,254	549,690	544,945	516,475	492,636
Average Daily Census					
LAC+USC	708	679	648	628	606
H/UCLA	332	328	340	354	365
MLK	204	178	174	103	5
RLANRC	152	144	136	136	174
OV/UCLA	172	177	195	194	196
HDHS	1	--	--	--	--
Total Average Daily Census	1,569	1,506	1,493	1,415	1,346
Average Length of Stay					
LAC+USC	6.5	6.4	6.2	5.9	5.5
H/UCLA	5.4	5.5	5.6	5.7	5.9
MLK	6.6	6.2	5.7	6.0	3.5
RLANRC	23.3	22.4	22.3	22.2	25.6
OV/UCLA	4.8	4.7	5.0	4.8	4.5
HDHS	--	--	--	--	--
Total Average Length of Stay	6.4	6.3	6.2	6.1	6.0
Hospital Births					
LAC+USC	1,440	1,449	1,479	1,551	1,534
H/UCLA	963	1,038	1,047	1,146	1,133
MLK	673	592	512	405	33
OV/UCLA	899	932	1,019	1,085	1,129
Total Hospital Births	3,975	4,011	4,057	4,187	3,829
Environmental Health Inspection					
PHS (5)	356,558	367,836	349,272	N/A	N/A
JCHS Visits	277,473	271,627	267,572	258,673	256,666
Office of Ambulatory Care					
Public/Private Partnership Visits	565,122	573,606	567,040	599,361	577,961
General Relief Visits	18,135	5,145	--	--	--
Total P/PP and GR	583,257	578,751	567,040	599,361	577,961

DEPARTMENT OF HEALTH SERVICES
WORKLOAD STATISTICS
FISCAL YEARS 2003-04 THROUGH 2007-08

	Actual 2003-04 (1)	Actual 2004-05 (1)	Actual 2005-06 (1)	Actual 2006-07 (1) (2)	FYE 2007-08 (3) (4)
Emergency Dept (ED) Visits					
LAC+USC	138,462	143,950	153,561	136,838	133,622
H/UCLA	73,951	68,681	62,338	59,005	57,247
MLK	45,258	34,200	42,612	48,639	3,583
OV/UCLA	44,507	44,269	42,080	36,578	41,078
Total ED Visits	302,178	291,100	300,591	283,060	235,530
ED Psychiatric Visits					
LAC+USC	8,967	7,919	7,926	7,903	8,206
H/UCLA	6,997	7,729	7,785	8,445	8,111
MLK	3,989	4,813	4,442	1,817	0
OV/UCLA	4,067	3,940	4,288	4,219	4,157
Total ED Psychiatric Visits	24,020	24,401	24,441	22,384	20,474
Ambulatory Care Hospital Outpatient Visits					
LAC+USC	521,880	530,947	562,344	580,501	577,210
H/UCLA	274,771	276,891	285,143	289,441	291,929
MLK	164,314	147,250	163,991	138,204	--
RLANRC	53,038	57,402	59,369	58,960	59,770
OV/UCLA	181,643	185,710	197,645	200,721	199,349
HDHS	--	--	--	--	--
Total Hospital O/P Visits	1,195,646	1,198,200	1,268,492	1,267,827	1,128,258
MACC/CHC's/HC's Ambulatory Care Visits					
MACC					
MLK	--	--	--	--	132,788
HDHS	60,295	69,623	78,877	83,798	79,719
Total MACC	60,295	69,623	78,877	83,798	212,507
CHC's					
LAC+USC Healthcare Network	365,648	346,297	331,079	314,156	300,816
Coastal Network	70,608	71,756	73,145	71,746	70,544
Southwest Network	175,007	108,561	104,292	99,816	103,564
Valley Care Network - SFV	68,744	70,904	69,394	69,675	71,363
Valley Care Network - AV	--	--	--	--	--
Total CHC's	680,007	597,518	577,910	555,393	546,287
HC's					
LAC+USC Healthcare Network	9,388	9,269	9,075	7,897	7,447
Coastal Network	37,181	37,401	34,587	31,727	32,805
Southwest Network	9,725	9,264	9,907	9,299	9,168
Valley Care Network - SFV	40,143	42,003	41,363	40,384	41,231
Valley Care Network - AV	61,617	66,082	69,532	70,016	70,454
Total HC's	158,054	164,019	164,464	159,323	161,105
Total MACC/CHC's/HC's					
LAC+USC Healthcare Network	375,036	355,566	340,154	322,053	308,263
Coastal Network	107,789	109,157	107,732	103,473	103,349
Southwest Network	184,732	117,825	114,199	109,115	245,520
Valley Care Network - SFV	108,887	112,907	110,757	110,059	112,594
Valley Care Network - AV	121,912	135,705	148,409	153,814	150,173
Total MACC/CHC's/HC's	898,356	831,160	821,251	798,514	919,899
CHC/HC Public Health Visits					
LAC+USC Healthcare Network	16,656	14,769	14,053	11,147	12,091
Coastal Network	1,515	1,175	1,126	934	966
Southwest Network	--	--	--	--	--
Valley Care Network - SFV	5,973	3,728	3,042	374	1,157
Public Health (5)	345,231	398,702	353,295	N/A	N/A
Total Public Health Visits	369,375	418,374	371,516	12,455	14,214

DEPARTMENT OF HEALTH SERVICES
WORKLOAD STATISTICS
FISCAL YEARS 2003-04 THROUGH 2007-08

	Actual 2003-04	(1)	Actual 2004-05	(1)	Actual 2005-06	(1)	Actual 2006-07	(1) (2)	FYE 2007-08	(3) (4)

Footnotes:

n/a = Information not available.

(1) Source: Verified Workload Report provided by each facility for June 2004 through June 2007. High Desert Health System reporting as a MACC for FY 2003-04 and forward.

(2) Workload statistics report has incorporated the MetroCare Implementation Plan approved by the Board of Supervisors on October 17, 2006. The plan includes the increase of the outpatients visit at MLK and the bed realignments to LAC+USC, H/UCLA, and RLANRC.

(3) Monthly Workload Report provided by each facility for **FY 2007-08 as of December 2007**.

(4) MLK reporting as a MACC for FY 2007-08 and forward.

(5) The Department of Public Health was formed on July 6, 2006. Workload data from PHP&S budget units and AVRC will no longer be part of the report beginning FY 2006-07.

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WILLIAM T FUJIOKA
Chief Executive Officer

September 15, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

DEPARTMENT OF HEALTH SERVICES PROPOSED RESTRUCTURING OF COUNTY PRIMARY CARE SERVICES – STATUS REPORT

On February 19, 2008, on motion by Supervisor Knabe, your Board instructed this Office to provide, by March 24, 2008, a comprehensive list of all cost saving options from which to choose to balance the Department of Health Services' (DHS) 2008-09 budget; and by July 7, 2008, a proposed project plan to expand privatization of county clinic services, including a) a detailed budget showing forecast project costs and savings by month from the beginning of the project to at least three years out; b) all other "Proposition A" analysis required; and c) an analysis prepared by independent experts of the potential community impact of the change and how to mitigate such impact, with the analysis to be similar to those the California Attorney-General has commissioned to evaluate hospital ownership conversions and include a thorough effort to anticipate and address contingencies that would otherwise be unforeseen.

This memorandum addresses the Board's instruction regarding the proposed privatization of county clinic services; the cost saving options component is being addressed separately.

BACKGROUND

In its February 15, 2008 report to your Board, DHS presented Phase I of its Health Care Delivery System Reconfiguration, which included a proposal to privatize 11 Health Centers (HC) and the primary care located at the Comprehensive Health Centers (CHC), and an associated expansion of primary care by Public Private Partnership (PPP) providers.

Based on the discussion at the February 16, 2008 Board meeting and your Board's actions, this Office and DHS are approaching the issue of privatization carefully and with the understanding that, should the County proceed with this proposal, it may take multiple years to fully implement.

In preparing for this effort, DHS has developed comprehensive information on each CHC and HC site, including its patients, visits, and services provided. This information was shared with your offices and will be updated as additional information becomes available.

Further, the Community Clinic Association of Los Angeles County (CCALAC) engaged a consultant to update the 330 Clinic Expansion Plan Report prepared in May 2003. One of the reasons for updating this report is to provide insight to strengthen CCALAC's efforts to plan for issues and opportunities raised by the proposed privatization. The updated CCALAC report was recently released and includes information on the increased capacity expected by CCALAC organizations between now and 2010.

STATUS

DHS is proposing the following timeline for developing the project plan related to the proposed primary care restructuring:

Date	Item
September 24, 2008	Release Request For Information (RFI).
October 8, 2008	Deadline for agencies to respond to RFI.
November 21, 2008	Release draft project plan.
December 12, 2008	Hold public hearing to obtain testimony on the community impact of the proposed project plan, patterned after Attorney General hearings on non-profit hospital conversions.
December 12, 2008	Complete Proposition A analysis.
December 31, 2008	Submit project plan, public testimony, and DHS recommendations to the Board of Supervisors.

DHS is currently analyzing the CCALAC recently released report, in finalizing its RFI document. The RFI is intended to determine interest and capacity of private providers in assuming the primary care services currently provided at County-operated clinics. Eligible providers include PPP providers that are designated Strategic Partners, Federally Qualified Health Centers (FQHCs), FQHC look-alikes, or providers who meet all of the requirements of an FQHC look-alike excluding the governance requirements. DHS will initiate discussions with agencies that responded to the RFI; however, the RFI will not obligate the County or the providers to enter into negotiations or a contract.

DHS will work with community clinics and key stakeholders to develop a comprehensive list of all issues that must be addressed during the transition of CHC/HC primary care services to PPP providers.

Based on the information from the CCALAC report, responses to DHS' RFI, and input from the community clinics and key stakeholders, DHS will complete a detailed project plan, including information on agencies that may be interested in providing primary care to patients currently receiving services in CHC/HC locations; whether the agency is interested in providing the services in an existing CHC/HC site, in an existing agency site in the same geographical area as the CHC/HC, or in a new agency site; whether the agency is interested in providing care to the entire patient population currently served by the CHC/HC or, at minimum, the uninsured population whose visits would be paid for through the PPP program; and the estimated timeline in which the agency anticipates being able to provide primary care to the target population.

DHS is planning to obtain community input on this draft project plan in a public hearing, tentatively scheduled for December 12, 2008. DHS anticipates completing its final evaluation report, for your Board's consideration, by the end of December and will schedule this as a discussion item for a meeting of your Board in early January 2009. The report will include the final project plan, a summary of public testimony from the public hearing, and DHS recommendations.

In addition, based on separate, but related, instructions from your Board, this Office and DHS are working to identify infrastructure dollars to support the transition. The need for infrastructure support will vary by agency and facility where services will be provided and will be negotiated individually with each provider. All proposed agreements, including infrastructure support, resulting from the RFI would be brought to your Board for approval. DHS would continue to provide primary care in CHC/HC locations where there is no Board approved agency to provide services.

If you have any questions, please contact me or your staff may contact Mason Matthews, of this Office, at (213) 974-2395 or Cheri Todoroff, DHS, at (213) 240-8272.

WTF:SRH:SAS
MLM:MM:bjs

c: Executive Officer, Board of Supervisors
County Counsel
Interim Director, Department of Health Services

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WILLIAM T FUJIOKA
Chief Executive Officer

September 24, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

DEPARTMENT OF HEALTH SERVICES PROPOSED RESTRUCTURING OF COUNTY PRIMARY CARE SERVICES AND POTENTIAL USE OF ONE-TIME TOBACCO SETTLEMENT FUNDS FOR EXPANSION OF PUBLIC-PRIVATE PARTNERSHIP PROGRAM (AGENDA OF OCTOBER 7, 2008)

On February 19, 2008, on motion by Supervisor Knabe, your Board instructed this Office to provide, among other things, a proposed project plan to expand privatization of County clinic services, including a detailed budget from the beginning of the project to at least three years out; a "Proposition A" analysis required; and an independent analysis of the potential community impact of the change and how to mitigate such impact.

On April 22, 2008, on motion by Supervisor Molina, as amended by Supervisor Yaroslavsky, your Board instructed this Office to report back to the Board on the prospect of redirecting $44.8 million of Tobacco Settlement funds, that were being used to balance the Department of Health Services (DHS) budget, for the Public-Private Partnership (PPP) contracts, with $40 million to be implemented as part of a multi-year expansion project over three to five years and $4.8 million to be earmarked for one-time Capital Infrastructure for the PPPs. This Office and the Director of Health Services were instructed to report back as to how the funds could be invested to enhance the County's PPP network.

Additionally, on June 17, 2008, on motion by Supervisor Yaroslavsky, your Board instructed the Interim Director of Health Services, with the assistance of the Chief Executive Officer (CEO), to: convene a meeting with the leadership of the Community Clinic Association of Los Angeles County (CCALAC) and its members to further discuss the potential for distributing funds, including new, unallocated funds and unspent year-end funds, on the basis that involves both Service Planning Area (SPA) boundaries and service categories and other factors; and develop alternative methods of addressing unmet needs as noted in the April 22, 2008 PPP Allocation Working Group's (Work Group) report.

While we recently provided separate reports in response to the February 19, 2008 and April 22, 2008 Board directives, this memorandum now provides a coordinated response in order to clarify the plan this Office and DHS are proposing regarding the DHS primary care restructuring and the prospect of one-time funds for the PPP program.

Finally, on June 17, 2008, on motion by Supervisor Molina, your Board also directed that $33.0 million be taken from the budget of the Martin Luther King Multi-Service Ambulatory Care Center (MLK MACC) and placed in a designated provisional financing uses budget to be used to support infrastructure development and primary and specialty care expansion of the PPP program to address the under-equity in services, or if the visits to the MLK MACC exceed 150,000 per year, these funds can be used to expand care at the MLK MACC.

DHS has provided a separate report regarding their plan to ensure that MLK MACC visits exceed the threshold set in this Board action; therefore, this memorandum does not address the use of those funds.

BACKGROUND

The PPP program is a collaborative effort between the DHS and private, community-based providers to provide quality health care services to the uninsured and under-insured residents of the County. The PPP clinics have been critical partners in the County's effort to provide primary and preventive care and improve community health. The PPPs have demonstrated an alignment with the County's public service mission; an ability to rapidly expand services in underserved areas; high quality services and innovation in chronic disease management; the ability to leverage other public and private funds to offer a continuum of needed services; and cost effectiveness. PPP clinics have indicated that increasing numbers of consumers are choosing to access services at their sites.

The PPP program is administered by the DHS Office of Ambulatory Care and currently includes a budget of over $54 million which is used to reimburse PPP providers for primary care, dental and specialty services provided to eligible patients.

The Work Group was established in response to your Board's instruction to develop recommendations on an equitable, countywide funding allocation methodology in advance of DHS awarding PPP agreements beginning July 1, 2008. On April 22, 2008 your Board adopted the 2008 Allocation Formula recommended by the Work Group for the distribution of new, unallocated funds in order to reduce variances between current distribution of funds and to address regional inequities in the distribution of PPP funds.

In light of continued discussion on the DHS proposal to transition primary care from County clinics to PPPs, the Work Group also recommended that the agreements beginning in Fiscal Year (FY) 2008-09 should have terms of two years with a one-year option for extension rather than the up to five years as indicated in the Request for Proposal (RFP) that was issued by DHS in May of 2006. This recommendation was implemented by your Board's action on June 17, 2008, approving agreements with terms of two years with a one-year option.

ONE-TIME FUNDS FOR PPP EXPANSION AND PRIMARY CARE RESTRUCTURING

As reported separately to your Board, we have identified $3.5 million of the $44.8 million in one-time Tobacco Settlement Funds which can be set aside in the DHS FY 2008-09 budget through the Supplemental Changes phase of the budget process. While we have earmarked these funds, pending development of specific recommendations for your Board regarding its use for PPP infrastructure and capacity development, we understand that the efforts outlined below will certainly require additional funds.

Therefore, we will provide your Board with recommendations, under separate cover, regarding the set-aside of an additional $41.3 million in one-time funds for this purpose. Our recommendations will propose the set aside of $18.2 million in one-time funds from the Designation for Health Future Financing Requirements and of $23.1 million in fund balance to be placed in the Provisional Financing Uses (PFU) for Health Services/PPPs. A request to approve the set aside of these funds in the PFU will be presented to your Board on October 7, 2008. The recommended use of these funds will be incorporated into the reports to be presented to your Board in accordance with the timeframes identified below.

PLAN FOR RESTRUCTURING OF PRIMARY CARE

As indicated earlier, this memorandum provides our coordinated response to your Board's February 19, 2008, April 22, 2008, and June 17, 2008 actions as a strategic plan to enhance the County's provision of primary care. The plan outlined below will be presented for consideration at your Board's October 7, 2008 meeting.

This Office has worked with DHS to analyze two components of the primary care service delivery network. These include expansion of the PPP program and privatization of DHS provided primary care.

- PPP Program Expansion – Increase the number of visits that DHS contracts for through the PPP program in under-equity areas with no overall decrease in DHS provided primary care visits.

- Privatization of DHS Provided Primary Care – Reduction in primary care provided by DHS and a corresponding visit-for-visit increase in the number of visits for indigent patients that DHS contracts for through the PPP program.

Community Stakeholder Input

Community and stakeholder input is critical to the development of this plan and its implementation. This Office and DHS have initiated discussions with PPP providers and representatives of CCALAC and health advocacy groups to outline the issues which need to be addressed as the County proceeds with the process described below.

Further, as directed by your Board, DHS and this Office has conducted meetings with PPP providers and other stakeholders on the potential use of one-time Tobacco Settlement funds, and in those discussions, identified a wide range of issues that need to be addressed, including the critical need for additional funds for the program.

In order to facilitate the community stakeholder process in developing recommendations for your Board's consideration on the use of one-time funds and ways to address both the regional inequities identified in the Work Group's report and the proposals below, we will establish a planning team similar in membership to the DHS-led group in your Board's June 17, 2008 action, consisting of representatives from DHS, CEO and CCALAC. We propose that at least one session be led by a professional facilitator approved by all parties. Recommendations from this planning team will be incorporated into the reports to be presented to your Board as noted below.

PPP Program Expansion

Through expansion of the PPP program, the County would be able to increase the number of health care visits in DHS contracts, with no decrease in DHS primary care visits currently provided. In addition to the Work Group's recommendations noted above, the most often mentioned and emphasized need was additional funding to meet the patient care needs of Los Angeles County.

In accordance with our Board's instruction to this Office and DHS, we are proposing the use of one-time funds, as indicated above, for the PPP contracts DHS is developing a PPP expansion plan and is targeting November 25, 2008, to present recommendations to your Board. This will provide sufficient time for your Board to consider and determine, as a matter of policy, the use of these funds. The proposed plan will include recommendations regarding the distribution of funds over the next three to five years; the use of unspent FY 2007-08 monies; the amount that should be allocated for infrastructure/capacity building, primary and specialty care visits; and provider eligibility requirements.

In addition, the plan will address the following recommendations provided by PPP providers and other stakeholders: conduct future RFPs so they are targeted for agencies to provide services only in under-equity SPAs; consider distribution of funds on bases other than SPA boundaries; and conduct further review on issues regarding "SPA of residence" compared to "SPA of services," to develop alternative methods of addressing unmet need and distribution of funds.

The timeline for the expansion plan is as follows:

Date	Item
October-November 2008	Obtain stakeholder input on allocation of funds and prepare recommendations.
November 25, 2008	Present recommendations to the Board.
January 2009	Tentative timeframe for release of solicitation documents for visit expansion and/or infrastructure improvements.
February 2009	Tentative timeframe for solicitation responses due to DHS.
April 2009	Tentative timeframe for visit expansion and infrastructure improvement awards announced.
June 2009	Tentative timeframe to recommend contracts, on case by case basis, to the Board of Supervisors for approval.

Proposed Privatization

Based on the discussion held by the Board at the September 16, 2008 Board meeting, this Office has worked with DHS and incorporated your Board's concerns into the plan proposed below. Initially, DHS proposes that privatization be considered for a limited number of facilities. It should be noted that we are committed to expanding privatization to other County facilities only when we can demonstrate to your Board that the services that County residents would receive are as good or better and at less cost, than the services that are provided under DHS operation. This principle was clearly conveyed by your Board and we are in agreement that this is a critical component in the issue of privatization.

Under the proposed plan, DHS will: 1) identify a clinic that meets proposed privatization guidelines; 2) release a solicitation document to identify interested agencies; 3) assess solicitation responses; 4) obtain stakeholder input, including a public hearing to obtain testimony on the community impact of the proposed privatization, to be patterned after Attorney General hearings on non-profit hospital conversions, and advise your Board of the public comments and DHS' response; 5) conduct a complete Proposition A analysis and prepare a detailed budget and timeline; and 6) if appropriate, recommend and submit to your Board for approval the proposed privatization contract.

Privatization Guidelines: The following guidelines have been developed for this initial privatization plan:

- The PPP visits would be provided in the same geographical area where the DHS visits are currently being provided.

- Agencies must meet the requirements to be a PPP Program Strategic Partner which include being a Federally Qualified Health Center (FQHC); FQHC Look-Alike, or meets all of the requirements of a FQHC Look-Alike excluding the governance requirements; having been licensed and providing primary care for at least ten years; and being in good standing and fiscally stable.

- Only Health Centers will be considered at this time as there is much more complexity associated with privatizing primary care in Comprehensive Health Centers.

- Only Health Centers in over-equity SPAs will be considered at this time. Health Centers in the under-equity SPAs are currently being considered for an expansion of the PPP program and under-equity SPA PPP resources should be prioritized for the expansion, not privatization.

Based on the guidelines noted above, the Glendale Health Center and San Fernando Health Center are the only two sites that have been identified; therefore, we recommend that both Health Centers be considered for initial privatization.

It should be noted that we have not provided a detailed budget; the Proposition A analysis; or analysis prepared by independent experts of the potential community impact at this time as we are not at that point in the process. However, should we move forward with the Glendale and San Fernando Health Center assessment, such analysis will be conducted as noted in the timeline below.

The timeline for the proposed Glendale and San Fernando Health Center project is as follows:

Date	Item
October 2008	Release solicitation documents to identify agencies interested in providing primary care to patients receiving services in Glendale and San Fernando Health Centers.
November 2008	Deadline for agencies to respond to solicitations.
November 2008 - January 2009	Conduct simultaneous non-competitive negotiations with agencies that responded to the solicitation.
December 2008	Hold public hearing to obtain testimony on the community impact of the proposed pilot project, patterned after Attorney General hearings on non-profit hospital conversions. Inform Board of public comments and DHS response.
December 2008	Complete Proposition A analysis and detailed budget and timeline.
February 2009 or later	Recommend contract(s) to the Board of Supervisors for approval. Actual contract effective date to be negotiated with agency.

IMPACT ON COUNTY WORKFORCE

This Office and DHS recognize the potential impact on the County workforce if DHS proceeds with the proposed privatization. We are committed to working with union leadership on a parallel path to develop plans to address these issues. Our reports to the Board as indicated above will incorporate this plan and our recommendations.

If you have any questions, please contact me or your staff may contact Latisha Thompson of this Office at (213) 974-1157, or at lthompson@ceo.lacounty.gov or Cheri Todoroff with DHS at (213) 240-8272, or at ctodoroff@dhs.lacounty.gov.

WTF:SRH:SAS
MLM:yb

c: Executive Officer, Board of Supervisors
County Counsel
Interim Director, Department of Health Services

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WILLIAM T FUJIOKA
Chief Executive Officer

September 23, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

COST SAVINGS AND REVENUE INITIATIVES FOR THE DEPARTMENT OF HEALTH SERVICES – INFORMATION FOR SUPPLEMENTAL BUDGET (AGENDA OF OCTOBER 7, 2008)

On February 19, 2008, on motion by Supervisor Knabe, your Board instructed this Office to provide, by March 24, 2008, a comprehensive list of all cost savings options from which to choose to balance the Department of Health Services' (DHS) 2008-09 budget; and by July 7, 2008, a proposed project plan to expand privatization of County clinic services which is being addressed separately.

On March 26, 2008, this Office provided your Board with a Financial Stabilization Plan and a list of savings and revenue initiatives identified to help balance DHS' Fiscal Year (FY) 2008-09 budget. We also noted that a comprehensive list of all cost savings options, including potential service curtailments to address the projected DHS budget deficit beginning in 2008-09, would be provided.

This is to provide your Board with the comprehensive list of all cost savings and revenue initiatives that DHS has identified and are being implemented. At this point, service curtailments are not needed, as a result of DHS' cost savings measures and revenue initiatives, since we have prepared a balanced budget for FY 2008-09. However, there remain numerous programmatic, financial, and operational challenges facing DHS; and this Office and DHS initiated a collaborative effort to meet such challenges. We convened a meeting with all DHS Executive Managers to discuss and formulate a framework of initiatives to help move the County's healthcare system

forward. Part of our stakeholder process also involved discussions with staff from your offices and as a result of such efforts additional cost savings options were identified. We also reviewed DHS' hiring freeze and determined that it needed to remain in place. In addition, this Office has implemented a partial expenditure freeze at DHS.

We have identified an extensive and comprehensive list of cost savings measures and revenue initiatives which will help produce cost savings or revenue opportunities in several areas. The total cost savings over two years are estimated to be $143.3 million, consisting of $53.4 million in FY 2007-08 and $89.9 million in FY 2008-09. The anticipated savings for FY 2007-08 were realized. Some of the savings projected for FY 2008-09, are in the following areas:

- Pharmaceutical savings totaling $44 million, including $35.3 million based on an aggressive effort to mitigate increases in drug costs;
- Administrative cost reductions totaling $13 million, including a $3 million services and supplies curtailment in DHS administration;
- Additional revenues of $9 million based on improved recovery efforts for unreimbursed psychiatric inpatient costs; and
- Information Technology curtailments totaling $5 million.

DHS management has implemented a tracking system to monitor the progress of its financial goals, and they meet monthly with the responsible managers to ensure that savings goals are on track. All managers and staff at each DHS facility are involved in the implementation of these goals. Cost savings and revenue initiatives are important components of the DHS budget plan and DHS will continue to identify additional opportunities to address their deficit.

If you have any questions, please contact me or your staff may contact Mason Matthews of this Office at (213) 974-2395, or at mmatthews@ceo.lacounty.gov; or Efrain Munoz with DHS at (213) 240-7882, or at emunoz@ladhs.org.

WTF:SRH:SAS
MLM:yb

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Interim Director, Department of Health Services

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 AND 2008-09

As of 9/4/08

Ln #	Description	Savings Type	Status	FY 07-08	FY 08-09
1	No deposit to the ACO vehicle account (EMS).	Administrative Costs	EMS has indicated they are not buying any ambulances in FY 07-08.	0.150	-
2	Contract Savings	Administrative Costs	Ongoing identification of contract expenditure savings for the facility	-	0.079
3	Warehouse Inventory One-Time Reduction to 3 Weeks Supply	Administrative Costs	Implement new policy to maintain 3 weeks inventory supply in the Warehouse. The one-time savings that can be achieved is $100,000.	0.100	-
4	ISD - Various	Administrative Costs	DHS Finance met with ISD in 10/22/07, including Jim Jones, Sheila Shima, and Patrick Anderson. ISD provided DHS with schedules breaking out the ISD charges into various categories. DHS facilities looks for opportunities to reduce utilization of ISD services in areas that could produce savings in the DHS budget. DHS expects to receive the ISD billing data on a monthly basis.	-	0.015
5	ISD - Premises Sys Engineering (3440) cost can be reduced by creating positions in the facility budget to hire this staff in house.	Administrative Costs	Required new items as an enabler: 3 - 2560 Sr. Network Systems Administrator positions, 1 - Information System Supervisor III position.	-	0.716
6	ISD - Power Plant Operations and Maintenance	Administrative Costs	Reduce power plant expenses by handling maintenance through in house facilities staff	0.200	0.517
7	ISD - Review need for vehicles of all hospital vehicles with a determination of actual need for the facility and lobby for continued purchase of used ISD vehicles.	Administrative Costs	Potential Savings in ISD for maintenance/repair and gas/oil expenditures by eliminating those vehicles that are not critical to the hospitals operations. Also, ISD recently stopped allowing other depts. to purchase their 2-3 yr old vehicles at very minimal cost.	0.008	0.125
8	OPS	Administrative Costs	Review current staffing levels and locations in hospital where security guards are present, then prioritize those locations based on security needs and reduce staffing elsewhere accordingly. Present to CEO a review of staffing levels provided by Office of Public Safety for both armed and unarmed security personnel.	-	1.387
9	Reduce discretionary S & S spending	Administrative Costs	Issue revised allocations for FY 07-08 to the responsible managers and submit budget reduction documents for FY 08-09.	15.748	6.588
10	Cost reduction	Administrative Costs	Reduce S&S budgets of various HSA units to partially offset the Department deficit.	-	2.983
11	Replacement Facility Move Transition and OMDI Cost	Administrative Costs	Reevaluate the forecast for replacement facility activities in FY 2007-08.	7.720	-
12	Reduction in Physician contracts	Administrative Costs	Reduce physician contract spending	-	0.390
13	Curtail memberships of the advisory board co.	Administrative Costs	Letter sent, canceling as of Jan 1, 2008. Savings for FY07-08 is estimated 6 mos.	0.170	0.170
		Administrative Costs Total		**24.096**	**12.970**
14	IT Operational Efficiencies	Information System	Revised project implementation.	-	4.690
15	Reduce Quadramed Contract Maintenance, Pool Dollar & Out-of-Pocket Expenses (component of 27)	Information System	Postpone implementation of Quadramed Patient Accounting, Contract Mgmt., and the Ambulatory Abstract modules, indefinitely, and save on budgeted maintenance costs ($27,500), reduce pool dollars for Quantim EDM project ($16,200) and Out-of-Pocket expenses ($15,000).	-	0.154
16	Reduce Quadramed Contract Software License Costs (component of 27)	Information System	Postpone implementation of Quadramed Patient Accounting, Contract Mgmt., and the Ambulatory Abstract modules, indefinitely, and save one one-time cost of software license.	0.460	0.149
		Information System Total		**0.460**	**4.993**
17	Reduction in X-Ray film	Medical Administration	Reduction in purchase of X-Ray film due to PACS implementation	-	0.025
18	Establish an enterprise-wide Medical Test Formulary Committee to provide utilization guidelines to clinicians and to the Dept. of Pathology at the various facilities.	Medical Administration	The DHS Laboratory Information Steering Committee (Laboratory CIOs from each facility) developed a standardized enterprise workload report. Based on this workload report, the DHS Laboratory Steering Committee (appointed by the DHS Clinical Operations Committee) identified the top 90% of ordered tests. This 90% test list was submitted to the DHS Laboratory Executive Committee for review and discussion with their facility's medical staff. The objective is to develop a "Test Formulary" to be managed and operated similarly to the existing DHS P&T Committee. The Laboratories endeavor to serve the clinicians by providing all tests requested to diagnose disease. This, however, opens the door for the use of any test at the discretion of the clinicians. Explore the possibility of establishing an enterprise-wide committee that would provide guidelines for the use of medical tests.	-	0.025
19	Standardize Interventional Radiology Supplies	Medical Administration	Establish a group consisting of radiology and materials mgmt. staff to work on the standardization of radiology interventional supplies. Focus on high-cost items and move towards a Just-In-Time ordering system. Establishment of a JIT system further results in a decreased incidence rate for expired supplies.	-	0.050
20	Reduction in Radiology Film Costs	Medical Administration	The implementation of the Radiology PACS system on 1/1/08 results in a reduction of film supply costs by 50% annually. The reduction of weekend overtime worked associated with PACS is already accounted for in the Harbor overtime reduction proposal above.	0.313	0.394
21	Reduce Medquist Transcription Contract Costs	Medical Administration	Harbor currently spends $1 million on medical transcription services in HIM, Radiology and Pathology. Savings can be achieved by negotiating new contract terms that provides the voice recognition option, which is more efficient.	-	0.150

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 AND 2008-09

As of 9/4/08

Ln #	Description	Savings Type	Status	FY 07-08	FY 08-09
22	Resume DHS-Wide Shared Lab Program and reduce reliance on outside reference labs	Medical Administration	The DHS Laboratory Executive Committee (Laboratory Directors and Laboratory Managers from each facility) discussed restructuring the DHS Shared Laboratory Program. Consideration is given to staffing, equipment and information system (electronic result reporting) availability. Additionally, the Committee begins to identify potential contracted laboratory tests to be done in-house. Harbor's reliance on outside reference labs continues to increase and this is an inefficient way to do business. Specimens for non-esoteric test are sent out because we do not have the equipment; however, the trend is that more are sent out due to staffing shortages (hard-to-recruit positions; pending Med Tech lab reclass, need Med Tech hourly item classification, etc.). Need to evaluate DHS-Wide what tests each facility has excess capacity to provide and what test are currently purchased from reference labs. Another option would be to renegotiate the reference lab contracts i.e., renegotiate rates paid or encourage the reference labs to bill Medi-Cal directly.	-	0.150
23	Switch to Quest Labs from Focus for testing for Hepatitis B Virus DNA Qunt, PCR & Hepatitis C Viral RA, Qual, PCRc Cardiolipin Screen w/reflex to IGA, IGM, IGG.	Medical Administration	Implementation steps & required investments: ELIS Database creation of new testcodes/LIS Build in Affinity. Estimated Annual cost saving = $ 112,806.12 Estimated cost of required Investments = Staff Time Investment = One Time. Impact on Service/Quality = No change.	0.021	0.112
24	Change instrument platform for Rheumatoid Factor, C3, C4, and Prealbumin from the Image to the Roche chemistry analyzers.	Medical Administration	Implementation steps & required investments: Validate assays on Roche instrument. Estimated Annual cost saving = $ 3,600.00 Estimated cost of required Investments = Staff Time. Investment = One Time. Impact on Service/Quality = Prealbumin is to be available 24/7 for patient care as an improvement in service. Moving these tests also allows other low volume long TAT tests to be batched for improved efficiency.	0.001	0.004
25	Discontinue performing CKMB assay.	Medical Administration	Implementation steps & required investments: Get buy-in from the major stakeholders. Estimated Annual cost saving = $ 31,700.00 Impact on Service/Quality =No negative impact on service or quality since Troponin test is the recommended cardiac marker.	0.003	0.032
26	Reduce CHP Out-of-Plan Expenditure through proactive efforts to contact patients.	Medical Administration	Review CHP patients with more than 2-3 ER visits (non-Harbor primary care site) and contact these patients to schedule their follow-up appointments at Harbor. A mechanism needs to be put into place to provide CHP patients some priority appointments so they do not present to other sites.	-	0.250
27	Standardize operating room products and equipment and review surgery procedure pack product contents.	Medical Administration	Establish a group of nurses, physicians and materials mgmt. staff to work on the standardization of operating room products and supplies that are ordered. This is used in the private sector and can produce significant savings. Focus on high-cost items, including ortho. supplies. Move towards a Just-In-Time ordering system. Include a review of the products contained in the surgical packs. Eliminate products or substitute items with comparable products obtain through Novation (PHS pricing). To achieve the entire savings, DHS will need to enforce the standardization initiatives and achieve compliance (80 to 90% depending on the initiative) to the chosen vendor(s).	-	2.032
28	GPO standardization	Medical Administration	Implement DHS product standardization initiatives and convert non-agreement to agreement items. These are savings related to medical products achievable through standardization and are based on the current purchasing practices and facility compliance.	0.300	0.175
29	Rebates received from the Group Purchasing Organization	Medical Administration	Rebates received from the Group Purchasing Organization for medical supply purchases. These savings are Patronage Equity rebates that DHS receives from the University HealthSystem Consortium (UHC) for utilizing Novation agreements. When these rebates are received they are distributed/transferred to the facilities as reimbursements to the expenses.	1.767	2.127
		Medical Administration Total		**2.405**	**5.626**
30	Nurse Recruitment to Fill County Positions and Reduce Overtime. Reduce Nursing Full-Time Permanent Staffing Costs by Implementing New Part-Time, Hourly "F" Item Classifications.	Nursing Registry	Establish a DHS-Wide Nurse Recruitment Program as an on-going effort. Filling nurse permanent vacancies with County paid employees is more cost-effective than paying overtime or utilizing registries. Harbor's proposal to create part-time item classifications was supported by DHS in 1995. The plan may be with CEO Class Comp. If this is established as a priority, it is feasible for DHS to work with CEO Class Comp over the next 8 months to create these temporary item classifications. Currently, full-time permanent "A" items and overtime are used to staff LVN and Nursing Attendant items on weekends and to address employee call offs, census fluctuations, etc. In the private sector, part-time people are sent home if the workload does not justify the expense. Harbor does not have the ability to flex staffing with workload due to the lack of temporary employee classifications and use of overtime to accomplish this is expensive. Some facilities may also utilize registry employees to flex staffing, which is also expensive.	-	2.000
31	Reduce Nursing Registry personnel costs	Nursing Registry	Harbor only utilizes seven nursing registry personnel in the ER and ICU areas. Registry staffing can be reduced by one position. Significant potential exists DHS-Wide to reduce registry costs i.e., nursing attendants obtained through registries, etc.	0.800	0.900

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 AND 2008-09

As of 9/4/08

Ln #	Description	Savings Type	Status	FY 07-08	FY 08-09
32	Convert registries nursing sitters to County employees to meet JCAHO standards	Nursing Registry	Nursing Attendant Sitters are needed to provide 1:1 constant observation to all patients placed in behavioral restraints in all patient units to meet JCAHO standards. Also, for patients who are on legal holds for danger to self and others that require "one to one" observation as medically prescribed by their physicians. Sitters also provide constant monitoring to patients identified as all risk. The JCAHO national patient safety goal requires that the organization implements a fall reduction program to reduce the risk of patient harm resulting from falls. OV Medical Center is currently using registry Nursing Attendant sitters to meet the demand. The cost for 33.0 nurse attendant positions is to be offset with reduced registry costs and result in additional savings.	-	0.483
		Nursing Registry Total		**0.800**	**3.383**
33	Establish DHS Protocol for the use of Rheumatology Drugs. Identify preferred drugs and work with providers to encourage the use of these agents **LAC+USC AND OVMC ONLY**	Pharmaceuticals	Convene DHS expert panel to review the use of the high cost rheumatology drugs and develop guidelines for their appropriate use/indications. We believe other private hospitals prescribe these drugs per specific protocols. Panel convened and decisions made at P&T and approved. Facilities to implement.	0.375	0.750
34	Cardinal Drug Recovery Program. Increase use of patient assistance programs to defer the costs of high cost pharmaceuticals use the pharmaceutical companies established drug assistance programs **OVMC ONLY**	Pharmaceuticals	Completed - Board approved Cardinal contract on 12/18/07. Implementation in progress with OVMC.	0.169	2.000
35	Wholesaler Initiative: Increase pharmaceutical wholesaler prompt pay rebates	Pharmaceuticals	Wholesaler has placed non-DHS accounts in another assessment group, so only DHS accounts are now reflected on the WAPD report. Prompt pay discount was met for Oct, Dec, and Jan.	0.100	0.120
36	340B Contracting-purchasing initiatives for hospital sites	Pharmaceuticals	DHS Pharmacy Procurement reviewing 340B Optimization reports on a quarterly basis to maximize use of 340B drugs through the use of the 340b maximization reports.	1.600	2.000
37	Mandatory Generics - Maximize generic drug purchases	Pharmaceuticals	Maximize purchases placed for generic drugs, when generic equivalent is commercially available.	2.160	2.000
38	Identification of lost rebates/discounts for pharmaceuticals	Pharmaceuticals	DHS Procurement on an ongoing basis look to capture lost pharmaceutical rebates, credits and other opportunities that may be available to DHS.	1.500	1.000
39	Therapeutic interchange initiatives -Multiple initiatives approved by the DHS Core P&T Committee	Pharmaceuticals	DHS facilities implements DHS Core P&T-approved therapeutic interchange initiatives	0.750	1.000
40	Ongoing efforts to identify methods to reduce pharmaceutical costs	Pharmaceuticals	Continuous efforts based on historical trends and current experiences are in place to reduce costs or to increase efficiency.	17.498	35.298
		Pharmaceuticals Total		**24.152**	**44.168**
41	Improve/increase Medicare reimbursement on Indirect Medical Education (IME) revenues by reducing the available bed through a temporary reduction in licensed beds.	Revenue	Consider the temporary suspension of licensed beds to increase IME reimbursement. Current formula is I&R FTE/Available Beds. This percentage is applied to Medicare DRG payments to provide for additional supplemental payments for teaching hospitals.	-	0.785
42	Psych Inpatient Services	Revenue	Reflect additional Medi-Cal I/P and Mental Health revenues to be received for the following efforts: (1) DHS continues to pursue obtaining State and CMS approval on a State Plan Amendment (SPA) to receive FFP for the unreimbursed costs of providing psychiatric services to Medi-Cal beneficiaries; (2) DHS continues to work with DMH to increase the current Medi-Cal utilization rate of 25% by additional 20%; and (3) DHS continues to operate 145 budgeted Psych Inpatient beds at LAC+USC, H/UCLA, and OV/UCLA Medical Centers to provide psych ER services. DMH will pay DHS for acute days at SMA acute rate and for administrative days at SMA administrative rate.	-	8.996
43	Fire Dept - Bioterrorism , Paramedics, and Search & Rescue (OV/UCLA only)	Revenue	The fire dept has a bioterrorism grant and buys supplies from OVMC. The fire dept is willing to pay OVMC for the staff time involved in provided the supplies and for other incidental expenses.	0.080	0.090
44	Recognize BCEDP and Insurance revenues in excess of budget	Revenue	The current facility forecast for BCEDP and Insurance revenues exceeds the Final Budget. This is to recognize this surplus in the Financial Stabilization Plan. This adjustment was included in the DHS Budget Request submitted to the CEO on 1/29/08. The estimated revenue surplus for FY 2007-08 is already reported in the facility forecast.	-	2.500
45	CHP Pharmacy for CHC/HCs	Revenue	File claims for reimbursement of prescriptions filled for CHP patients	0.185	0.086
46	Hospitalist Program	Revenue	Utilize a hospitalist to manage patients in the wards, expediting discharges and transfers from ER to the wards.	0.152	0.380
47	Patient Payment Plan	Revenue	Self-pay patients who maintain a payment plan thru hospital Affinity PA System.	0.104	0.104
48	Reduce Denied Days by implementing Emergency Room Case Mgmt. Program	Revenue	Implement UM Case Mgmt Program to review ER Admission requests and divert inappropriate admissions. Coordinate scheduling of ancillary tests with depts., expedite ER transfers to RLA, actively address placement issues. Also screen outpatient clinic admissions and divert inappropriate admissions. Harbor is at full capacity and this allows us to more appropriately utilize resources and avoid ER closure to transfer patients.	-	0.250
49	Reduce Denied Days in all Hospital Depts. by 5%	Revenue	Provide additional educational programs aimed at physician documentation to maximize reimbursement. Produce dept. specific and potentially physician specific trending reports. Discuss progress in Quarterly Shared Mgmt. (Budget) meetings with each dept.	0.521	0.691

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 AND 2008-09

As of 9/4/08

Ln #	Description	Savings Type	Status	FY 07-08	FY 08-09
50	Establishment of a DHS admission protocol, including provisions for patients under observation in the ER (an observation billing rate to reduce denied days).	Revenue	DHS study the feasibility of establishing an 23 hour observation billing rate and establish a DHS policy. Harbor proposes to set-up order sets, nurse documentation requirements, and provide nurse education at Harbor. This facilitates the more efficient and appropriate use of ER and Inpatient resources. This also facilitates the opening of the CORE (cardiovascular) Unit that was approved by the DHS Director. Creating an Observation Billing Rate (one of our 40 outpatient rates) could reduce Medi-Cal Denied Days if physician admitting procedures were changed. Instead of an inappropriate admission, if the patient were considered an outpatient and we billed an Observation rate we could receive outpatient Medi-Cal CBRC revenue. Note: we are not presently permitted to bill a one day stay denied day as an outpatient account. Establish new protocols for determining date of admission based on time MD orders admission.	-	1.300
51	Reduce Medi-Cal audit adjustments for psychiatric services by Improving documentation in medical charts to show that patient's condition justify hospital stay and acute services.	Revenue	State auditors select a sample period and review psychiatric services provided to Medi-Cal inpatients at the hospitals to determine if the services are appropriate. We have found that the hospitals have high disallowances as the medical charts do not provide the description necessary to satisfy the medical necessity audits.	0.275	0.122
52	Improve Medicare outpatient reimbursement from the OPPS program by improving chart documentation showing all services provided to the patient during the visit.	Revenue	Compare typical Medicare reimbursement for like services provided at other private or public institutions. Determine where improvements can be made. Review Medicare billing practices to determine if additional ancillary services can be identified for billing such as injectibles, social services, etc.	-	0.677
53	Hard to Place Patients	Revenue	Significant potential savings to be realized if the County can address the placement of hard to place patients (dementia, conservatorship, etc.) that require lower level of care and do not need a hospital acute care bed. Some patients have been in the hospital for one year. This improves patient flow and result in the more efficient and effective use of inpatient resources.	-	1.000
		Revenue Total		**1.317**	**16.981**
54	Increase County HIM staffing in an effort to reduce contract registry costs in HIM and mitigate revenue losses (write-offs).	Staffing	***Harbor*** spends $1.2 million annually on registry HIM coders. Coders directly impact our ability perform third party billing. Registry costs could be reduced if additional HIM items are allocated and County staff are hired in lieu of registry. It would be helpful to allow HIM to hire some staff as unlike placements. Harbor has a HIM coding backlog that is impacting revenue generation. More account write-offs results as coding cannot occur timely within the billing statue. Approx. 8 new coder items are needed and 4 registry items remain. Study feasibility of using 3rd party vendor (Accordis) vs. hiring County employees.	-	0.250
55	Reduce Full-Time Permanent Staffing Cost by Implementing New Part-Time, Hourly As Needed Item Classification in non-Nursing Depts.	Staffing	Same as above. Expand use of part-time classifications for Radiology Techs, Medical Techs, Pharmacy Techs, Pharmacists, Respiratory Care Practitioners, Nurse Anesthetists, Occupational Therapy, Physical Therapy, Medical Records Coders, etc. Reliance on registries is heavy in these item classifications. The ability to flex staff according to workload is critical in operating an efficient organization. However, the County may not be open to create part-time positions without benefits.	-	0.350
56	Reduce paid overtime expenditures.	Staffing	Implement additional paid overtime controls. The additional savings are estimated at 5% for January through June. Reduce paid overtime expenditures by 5% Hospital-Wide. Note: The 5% can be achieved from the base, but it needs to be recognized that Harbor is staffing the add'l 20 beds with overtime and registry use until the positions in the 20 bed package can be filled. ***LAC+USC:*** Monitor the use of paid overtime for replacement facility training activities.	0.174	0.631
57	Administrative Day Unit	Staffing	Revise staffing for an Administrative Day unit. Requires budget adjustment to reduce RN Items and add LVN and NA items in their place.	-	0.653
		Staffing Total		**0.174**	**1.884**
		Grand Total		**53.404**	**89.905**

Category		
Administrative Costs	24.096	12.970
Information System	0.460	4.993
Medical Administration	2.405	5.526
Nursing Registry	0.800	3.383
Pharmaceuticals	24.152	44.168
Revenue	1.317	16.981
Staffing	0.174	1.884
Total	53.404	89.905